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## LABOR

### ROLE OF WAGES IN ECONOMIC MANAGEMENT ANALYZED

Moscow EKONOMIKA I MATEMATICHESKIYE METODY in Russian No 1, 1981 pp 30-45

[Article by V. A. Volkonskiy: "Questions of Wage Regulation"\*]

[Text] 1. An improvement in wages plays a most important role in increasing production efficiency and in solving a number of social problems. Wages perform several functions in the economic mechanism. Along with the function of distribution according to labor, they also carry out the task of encouraging a rise in labor efficiency.<sup>1</sup>

The present article is devoted to a discussion of the question of the relationship of these two functions of the wage system as well as the related question of a standardizing of conditions for the correlation of labor and wages essential for achieving the principle of payment according to labor in the various economic sectors.

In economic literature one encounters various interpretations of these functions of wages. Certain authors completely deny the validity of separating them. N. Ye. Rabkina and N. M. Rimashevskaya assert that precisely due to distribution according to labor, wages can play a stimulating role [5, pp 74-77]. In [4] these functions are set in opposition to each other even under conditions that the optimum estimates are known for the various types of labor as production factors. R. G. Karagedov, in analyzing the role of wages in the economic mechanism, concludes that only their basic part should correspond to the principle of distribution according to labor, while the supplementary part used as encouragement for the overall operating results of the enterprise must be made dependent upon indicators over which a majority of the enterprise employees cannot have a decisive impact [6, pp 22-25].

Obviously, in a number of instances the basis of the given difference of opinion is the interpretation of the very principle of distribution according to labor, or more accurately the difference of opinion consists in defining the quantitative labor characteristics by which the distribution is to be made.

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\*As a point of departure for further discussion; the writing of the present article was greatly aided by mutual consultation and talks with N. Ye. Rabkina, M. P. Mozhina, N. V. Vladova, Yu. V. Sukhotin and others.

As is known, the direct expenditures of working time and concrete labor can be considered an adequate measure of labor only in comparisons within narrow limits of uniform activities involving the same complexity and difficulty, the same skills and ability of the employee and so forth. Generally speaking the reduction of labor is not a simple problem and the various approaches to solving it provide different results. In practice such a reduction is carried out in the process of setting the wages and depends upon all those social, economic and other factors which determine the wage system in the given society. For precisely this reason, any simple formal systems of accounting for labor based upon any characteristics of its difficulty, complexity, employee skills and so forth are not universal in the sense that, in the first place, there always remain many types of work for which the given specific system is not suitable for measuring, and, secondly, each such system cannot reflect all the aspects and relationship which should be encompassed by the evaluation of labor from the viewpoint of society. The approach to the most universal method of measuring labor and, even more importantly, one which corresponds most to the tasks of economic incentives is based on the indicators of the results of labor, or more accurately, on disclosing the real contribution of the individual workers and labor collectives to national income.

The improvement being carried out in all the socialist countries in the economic mechanisms based on strengthening the dependence of wages upon the results of labor has been based precisely on such an approach. In particular, the given direction assumes a clear expression in setting a normative link between the wage fund and net product [7, p 14].

However, a recognition of the principle of a measurement of labor by its results and not by expenditures is still far from overcoming all the theoretical and practical difficulties in resolving this task, since the contribution or the economic effective live labor in no way is identical to the overall production results which, to a significant degree, are determined by objective factors which are independent of the quantity and quality of labor. Labor productivity, that is, the ratio of the volume of production to the number of workers, is not an adequate indicator for the contribution of live labor to the production results. The general measurements for end results such as net product and profit to a significant degree are determined by the objective conditions for the application of labor: that is, by its capital-to-labor ratio, by the placement of the enterprises and by the quality of the employed natural resources. This applies even more to gross or sold product. Even if the influence of the designated factors has been eliminated by subtracting material expenditures from the product value and the payments for the use of resources from the profit or net product, there still remains the most important factor of the quality of planning and management and this as well depends little upon the direct labor of a majority of the employees. Since the effective live labor is only one of the numerous factors which influence the overall production indicators, there are no grounds to assume that there is a clearly disclosed link between the average levels of wages and the labor productivity indicators for the different sectors or even between the corresponding growth rates.

Obviously, a change in the wage indicators is not an independent process, and to a significant degree it is determined by the overall characteristics of economic growth. In speaking about the patterns in the system of wage indicators, it is essential to separate the questions concerning the ratio of their levels in the



various sectors and spheres of the economy and the modifications over time in the average values which reflect the economy as a whole. If it is a question of the movement of generalizing indicators, then labor productivity in the national economy must be considered the most important factor influencing this.

Since wages represent the basic source of the personal income of the population, they should be closely tied to the volume of goods and services consumed by the population, and since this volume represents a significant share of all end product or national income, the changes in these general production indicators should tell on wages.<sup>2</sup> However, the designated link is not immediate and the labor productivity changes far from always determine the movement of wages. The volume of material goods and services going into individual consumption of the workers depends not only upon the produced product but also upon its distribution (upon the planned development rates of production, gratis services, expenditures on defense needs and so forth). Moreover, the monetary income received by the population does not coincide with the volume of consumed goods and services, in particular, a portion goes to increase savings. Finally, changes in the pension security system, tax policy and so forth influence the growth rate of monetary income in addition to increasing wages. For this reason it must be recognized that although wage dynamics should be linked to labor productivity, it can possess significant autonomy and be subjected to the influence of factors and patterns which do not depend upon the growth of productivity.

The link between wages and labor productivity undoubtedly exists not only on a level of the entire national economy but also in the various-scale economic complexes and also individual enterprises. A rise in productivity is ordinarily a result of a growth in the percentage of overfulfilling the output norms or revising them (but in maintaining average wages for the employees), an improvement in the fund-forming indicators which work to increase the material incentive funds and so forth. But even if on the national economic level labor productivity is not the sole factor determining wage dynamics, for the individual economic sectors, and particularly for the enterprises, this link over the long run is statistically insignificant.

The calculations for the correlation coefficients between the increments in the wage and labor productivity indicators for the industrial sectors over the 5 years given in [6, pp 18-20] show that the dependence between these indicators is slight. The same conclusion has been obtained in [6] in processing data for 80 industrial enterprises. The particular wage elasticity coefficients for labor productivity calculated in constructing the regression equations with several factors based on time series differ sharply for the various sectors.<sup>3</sup> These calculations also confirm that in a majority of the national economic and industrial sectors, labor productivity has little influence on the dynamics of wages. Usually the dynamics of the average wage level for the entire national economy or in major complexes of sectors can serve as the determining factor.

2. From the theoretical viewpoint, for each type of labor there is a corresponding objectively determined assessment which reflects the comparative effectiveness of its use in comparison with any other production resources (we will term it the production estimate). This estimate or evaluation depends upon the ratio of the national economy's demand for personnel of one or another skill level in each region or population point, the availability of manpower, the opportunities for

attracting it and the expenditures caused by this. In labor-short regions, in places with a severer climate or those distant from the cultural centers of the nation, obviously the estimate should be higher, as is the case for the heavier and less attractive types of labor. This is a natural consequence of the shortage of labor resources and the necessity of replacing live labor by machines even in those instances when in other regions analogous expenditures would be considered too high.

At times the question is raised of why provide for increased wages in labor-short regions and would it not be better to produce the same product where the conditions are more attractive for human life? In actuality, from the viewpoint of national economic efficiency, such a policy would be unjustifiable. Increased wages are acceptable only to the degree that the increase in the necessary product for the national economy cannot be provided with lower expenditures (for example, due to the absence or the shortage of the corresponding minerals in the central areas). According to the theory of optimum planning, this should be expressed in a sufficiently high estimate of the end product of the labor-short regions as this justifies the increased estimate for the labor resources.

Such considerations should also be considered in other instances of compensation using increased material remuneration for unattractive (for example, less prestigious) types of labor. If increased wages are not justified by indisputable proof of the sufficiently high economic significance of the results of labor, then there is no justification for artificially supporting the given type of economic activity, in preventing its natural decline.

Wages express only that portion of the effect of a worker's labor which is put in his hands in the form of direct monetary remuneration. Wages have a stimulating effect upon the supply of labor in one or another sector or region, the migratory flows, the desire of workers to improve skills, and so forth. The production estimate of labor is those financial expenditures which the enterprises bear in using the labor resources. Such an estimate exceeds wages by the total of direct taxes on wages, the deductions for state social security, and in certain socialist countries, other special payments for labor resources paid for by the enterprises; this stimulates not the supply of labor but rather the demand of the national economy for labor and the interest of the enterprises to replace live labor by productive capital, for selecting more labor-intensive or more capital-intensive production methods and so forth.

The question arises should wages be set and regulated independently of the estimate for the given type of labor or should the changes in them be rigidly interrelated. In other words, should the taxes and deductions for wages be set by a system of long-term norms or should the amount of some of them be set as a difference similar to the free profit balance and thereby regulate one of the components in the "estimate--wages" pair independently of a change in another? Considering the designated difficulties, precisely the first solution to the given question must be considered correct and important.

Since, as was already stated, there are no indisputable and uniform methods for measuring the assessment of labor and the needs for material incentives are a necessary factor in calculating this estimate, there are no grounds for an opposition between the principles of distribution according to labor (that is, according

to its estimate) and in accord with the incentive function of wages. Precisely the principle of distribution according to labor creates the conditions for wages to play an incentive role. And any change in the wage system leading to an economically justified intensification of the incentive effect must be viewed as an improvement in its conformity to the principle of distribution according to labor. In practice the correct setting and adjusting of the labor estimates are impossible without involving information on the incentive significance of wages, the complexity and attractiveness of labor and so forth, that is, not directly relating to the national economic result of using the labor resources. In precisely the same manner it is impossible in an economically effective manner to set wages outside the relationship to the assessment of the given type of labor felt in one or another region or sector under the influence of the production, demographic and other factors. In other words, if one has in mind only the questions of economic effectiveness, then the changes in wages and the labor estimates should be rigidly interrelated and they can be regulated only as a unit. Deviations from this rule are necessitated by demands of a social nature, in particular, by the necessity of ensuring full employment. For example, wages at enterprises which are unprofitable or inefficient from the national economic viewpoint for reasons not the fault of the production collective can significantly surpass the evaluation of labor. However, from the position of the optimum functioning of the economy, such a situation should be viewed as temporary, abnormal and necessitating the taking of measures to rectify it (the reconstruction of the enterprise, the converting to new types of products and so forth).

Thus, with a rationally organized economic mechanism, wages in accord with the results of labor should lead to the same wage ratios which would be required by the principle of distribution according to labor expenditures considering its quantity and quality. The possibility of directly using the "expenditure" characteristics of labor such as the skills of the labor resources, the complexity and heaviness of labor and so forth for establishing wage systems is based on this. Their use is an essential element in the optimizing of wages (primarily through the wage scale system) due to the above-indicated difficulties in solving this problem. However the methods of the direct reduction of labor according to its "expenditure" characteristics should be viewed only as a means for more accurately reflecting in wages the real contribution or economic effect of labor by the production collectives and the individual workers. Only in this instance will the wage system perform the task of encouraging an optimization of the distribution of labor resources and a rise in the end results of production.

There is a certain analogy between the problems of the relationship of the production estimates and the wage levels, on the one hand, and the production estimates (production and distribution outlays) and the retail prices and rates for consumer goods and services, on the other. An analysis of the optimization models shows (for example, [3, pp 108-113]) that, with the exception of a few types of commodities and services (such as alcoholic beverages, medicines, children's goods and so forth) for which there are indisputable ethical or sociopolitical grounds for society to make their estimates differ from the estimates of the daily conduct of the mass of consumers, retail prices should be proportional to the production estimates. Here the role of retail prices (or the estimates of the daily conduct of the consumers) is performed by the wage levels. Unfortunately, this analogy cannot be considered complete, primarily due to the following. With a change in retail



prices and income, consumer demand can (partially due to its elasticity) instantly shift from some consumer goods to others so that the structure of expenditures would correspond to the maximum utility of the range of goods. Of course the supposition of the instantaneous shift of demand is an obvious oversimplification of the real relationships which are affected by the inertia of habits and the difficulties of adapting the consumer and the system of supplying the goods, services and so forth to the new conditions. However the "transfer process" takes, as a rule, a substantially shorter interval of time than the transfer of labor resources from one category to another. For this reason the supposition of the instantaneous occurrence of the processes of intersectorial or interregional migration would be completely inadmissible.

In [4, p 227] it is pointed out that there is a compensatory relationship between wages and the other factors involved in the attractiveness of labor, in particular, "with relatively less remuneration it is possible to fill employment vacancies which are 'attractive in and of themselves'." And the conclusion is drawn that "all of this naturally makes different from the scale of estimates the scale of remuneration contributing to an optimum (that is, corresponding to the estimates) distribution of workers between 'jobs'" [ibid.].

As was pointed out above, such a conclusion is incorrect. If the given employment is attractive and the economic estimate of its results is high, then the setting of remuneration below this estimate leads merely to an artificial reduction in the number of persons engaged in the corresponding activity. From the economic viewpoint this is completely ill advised. Nor is the situation rescued by the further reasoning of the author [4]: "For a socialist economy (in contrast to a capitalist one with its reserve army of unemployed), in our opinion, there is no objective 'ban' on setting remuneration which would exceed the labor contribution for particularly unprestigious, heavy and such jobs since their fulfillment remains a social necessity." Of course there is no "ban." Such an excess is merely an indication of nonoptimality in the system of the three mechanisms of economic management: 1) the setting of product estimates according to expenditures, 2) the determining of wages in accord with the national economic effectiveness of labor, and 3) the correcting of the production plans on a basis of a comparison of the expenditures and results. The attractiveness of one or another type of labor is a factor which should lead not to a deviation of wages from the estimate of labor but rather to a reduction (with other conditions being equal) of both wages and the estimate.

The necessity of a sufficiently rigid interrelationship in the regulating of wages and the production estimates of labor places high demands upon the stability and soundness of the system of deductions and taxes on wages and the payments for labor resources. The differentiation in the totals of these deductions and payments can be justified by the differences in those expenditures of the state which do not assume the form of wages and which are related to the reproduction of the labor force, to various departmental benefits and advantages received by the workers of individual sectors, and, finally, to the creation of normal living and working conditions in newly developed areas or regions with particular natural climatic conditions, in major cities and so forth. The designated situation is met by the sectorial differentiation of the deduction rates for state social security and this reflects differences in the corresponding expenditures in the various sectors. One of the special types of payment related to state expenditures on the

reproduction of the labor force is for the use of skilled personnel the rates for which can be reliably set according to the expenditures on their additional training [9].

The creation of special-purpose financial funds can serve as an economic mechanism which ensures a relationship between the state expenditures, on the one hand, and the deductions and payments for labor resources, on the other. The deductions or payments would serve as the sources of these funds [10]. An example of such a fund would be the state social security budget.

Proposals have been voiced to significantly broaden the powers of the republic committees for the use of labor resources and their local bodies as well as to grant them sufficient financial funds which could be formed within the budgets of the republic and local soviets [11].

According to the well-known principle of the theory of optimum planning, an incremental assessment of any production resources, including labor ones, should not be lower than the amount of corresponding expenditures related to a change in the quantity and quality of these resources (in the given instance, manpower) but is not obliged to coincide with this, if the resource is not a reproducible one in the precise sense. This can serve as grounds for setting payments which are not a compensation for the designated state expenditures. Such payments are set by a norm that is uniform for the entire national economy or assume a form of a uniform dependence like a progressive tax. However, at present the question of this portion of the payments has not been sufficiently studied not only for practical application but also theoretically.

3. The incentive effect of wages is basically related not to a rise in the average level but rather to differences in the wage level for the various sectors, regions, professions, types of labor and individual workers, that is, to its differentiation.<sup>4</sup> An excessive reduction of this differentiation from the economic viewpoint is a negative one [5]. Obviously not any differentiation of wages encourages a rise in the effectiveness of labor. The indicators which change the differentiation describe not the force of the incentive effect but rather its direction and the conformity of these incentives to the real results of labor should be provided by the mechanism of economic management and the specific organization of wages. Certain economists feel that a tendency toward a leveling of wages at present reflects the predominance of sociopolitical tasks and not economic ones and is a consequence of the insufficient link between wages and the results of labor [6, Chapter 1, Point 2].<sup>5</sup>

A necessary condition for ensuring the principle of distribution according to labor is a unification of the wage systems in the national economy. In a number of instances the difference of such systems on a sectorial breakdown creates economically unjustified priorities and at times this leads to a violation of the principle of wages and ultimately to a decline in the economic effect. A unity of the wage systems does not mean, of course, an identical wage level in the various sectors, regions or at individual enterprises, but only the evening out of the criteria and conditions for assessing and correlating the various types of labor. This does not and should not cause a reduction in the differentiation of the wage levels and which arises due to differences in the average skill level of the labor force, the

heaviness and complexity of the jobs and so forth at various enterprises and in different sectors as well as due to the labor efforts of the collectives.

In the practices of a majority of the socialist countries, wages are divided into the basic portion which is regulated by a system of rates and salaries, and the supplementary which is determined by the indicators of the collective results of labor by the entire enterprise (the growth of product output, profit and so forth). The first must reflect and ensure the comparability of labor expenditures from the standpoint of the objective characteristics of the labor resources (primarily employee skills) and the operations performed (through the system of labor expenditure rates and estimates, regardless of how the enterprise operates as a whole). In recent years virtually all the CEMA countries have systematized the rate system and here the general trend has been to strengthen the differentiation of the wage rates solely in terms of the skill-professional indicators of the labor force and in terms of the working conditions and a reduction and even a complete elimination of the differences which depend upon the national economic importance of the sectors [14, 15]. In Bulgaria, Hungary, Poland and the CSSR there are uniform wage conditions for executives, engineers, technicians and white collar personnel, and in the first two, also for workers. In the USSR, certain wage advantages have been kept for the heavy industry sectors, however in introducing the new rates these will be brought closer to the wages in the light and food industries and in agriculture. The use of the territorial coefficients and wage supplements must also be interpreted as a reflection of the increased severity and complexity of labor under unfavorable conditions.

Special mechanisms ensure the distribution of the basic and the supplementary parts of wages depending upon the individual results of labor by the individual workers. R. G. Karagedov [6] is undoubtedly correct when he points out that the labor efforts of a majority of the enterprise workers can have only a limited impact on the overall indicators of its activities. To the degree that the efforts of an enterprise collective, its organization, discipline and so forth, as a rule, are an important component in the success of the matter, to the degree that it has been recognized as necessary to have all members of the collective participate in the management of the enterprise and hold them responsible for the overall results, the bonuses for them should be interpreted as a portion of the payment needed to correctly account for the full result of the work done by the employees. Here no place is left for creating an opposition between the distribution of the basic portion of wages as distribution according to labor and the distribution of the supplementary part as an economic incentive for increasing production efficiency. The argument given by R. G. Karagedov merely points out that the total supplementary wages should comprise a relatively small portion of the profit or gross income of the enterprise and need not be proportional to these indicators. In a majority of the CEMA countries the regulating of the supplementary wages assumes precisely such forms. When the number of employees is planned independently of the indicators of the operating efficiency of the enterprise, the state-guaranteed rate portion of wages also virtually does not depend on them. The need to strengthen the incentive role of both parts of wages and not only their supplementary part which is usually small in comparison with overall earnings has become particularly imperative with the tightness of labor resources and in the CEMA countries has led to a tendency to lessen the rigidity in applying the rate systems and setting a direct normative link between the wage fund and the volume of net product.



4. Due to the complexity of correlating the various types of labor and the impossibility of fully describing them by a small number of parameters and due to the rapid changes in the conditions which determine the relative harshness and attractiveness of jobs, the rate system, with its rigid application, as a rule, is unable to reflect a larger portion of the differences in the real efficiency of the labor of individual workers, their individual abilities and efforts as well as in the specific conditions of their activities. The rate system also does not create sufficiently effective incentives for the most rational utilization of labor resources at an enterprise and for the greatest possible reduction of their expenditures. As a consequence of this, a number of CEMA nations have reduced the share of the rate portion of wages in total wages, since the supplementary forms of wages are beginning to have an ever-greater stimulating function. The enterprises have covertly weakened the system of demands on the procedure for wage deductions, the output norms and control over them [14, p 103]. For this reason all the CEMA nations have endeavored to widen the rights of the enterprises in varying the wage rates within centrally set limits depending upon the individual contribution of the employee and the labor conditions. The salary systems for engineers, technicians and white collar personnel everywhere provide an opportunity for setting them for a specific position within certain limits. In Hungary the differentiation of wage rates for the same category has been extended to workers as well and the ranges up to 1978 were 60-70 percent but have now been reduced to 45 percent. In other CEMA countries the flexibility of the designated system is provided by supplements to the rates (the CSSR) or by steps for increasing the basic wage rate (in Romania, four steps have been adopted for each category and the difference between the rates of the adjacent steps is approximately 5 percent).

The great importance of broadening the independence of the labor collective in setting the individual wage levels for specific workers is confirmed in the effectiveness of the brigade form of organizing and encouraging labor. In accord with the Decree of the CPSU Central Committee and USSR Council of Ministers of 12 July 1979, the collectives (councils) of the production brigades have been granted broad rights in determining the amounts of bonuses and earnings for the results of the brigade's work, in granting the brigade members supplements, additional payments and so forth [7, pp 59-60].

Since over time the overall wage level will rise, the wage rates (together with the established limits) should be promptly revised in following the real movement of average wages for the various professional and skill groups.<sup>6</sup>

5. As was already pointed out, the norms set in the USSR and in a number of other CEMA countries for the dependence of the overall wage fund upon the volume of net product serve as an important instrument in ensuring the link between wages and the results of labor. The method of accounting for those material and financial resources which an enterprise possesses has a decisive influence on the volume of net product as well as on the share of wages and profit in it. For this reason, for reflecting the contribution of the enterprise collective, the net product indicator must be "purged" of those components which characterize the effect from using these resources (the payment for funds, credit interest, rent and fixed payments and so forth). Even minus the designated elements, the net profit, as a rule, should be a positive amount which can be interpreted as the effect of economic management and planning [8, Chapter II], and hence under these conditions the problem of ensuring a normative link between wages and net product remains in no way trivial.



It is natural to assume that the increments in labor productivity to a greater degree are the achievement of the enterprise than are the attained levels. Theoretically, if the prices and estimates of resources correctly reflect the effectiveness of the product for the national economy and promptly take into account changes in the economic situation, then at least in terms of the large production associations in the sectors of the manufacturing industry it can be assumed that they possess the same opportunities for increasing labor productivity and, respectively, work out a uniform rate for the increase in average wages per 1 percent increase in productivity. This would help to raise the effectiveness of the incentive system as well as shift the labor force into those regions and sectors where the employment of labor is the most efficient. Moreover, a uniform rate for the enterprises of the manufacturing industry has the greatest significance in constructing the entire system of economic measurements, that is, prices, profitability and so forth, while disorder would put the various sectors and associations under incomparable conditions and deprive the national economy of economic criteria for the efficient use of the labor and capital resources in the sectors and associations. Deviations from the general rule should be backed up by social and other noneconomic reasons.

The establishing of a normative link between the increments of average wages and labor productivity is to be more preferred than between the very levels of these indicators. The stability of the norms is also a most important factor for the effectiveness of the entire economic incentive system. Since the objective conditions of enterprise operations, planning and management, on the one hand, and the labor efforts of the collective, on the other, influence the production results significantly in an independent manner, then accordingly the movement of such amounts as wages and profit should also be independent. For this reason the stable and particularly the uniform norms for a broad range of sectors should not carry out the role of rigid limits defining the growth rates of wages proportionately to the increase rates of net product. An excessively rigid relationship between the wage fund and net product or between their increments can be an obstacle to carrying out the necessary reorganizations of production. In principle the possibilities of saving expenditures of labor, the possibility for producing more labor-intensive and at the same time scarcer products and so forth can run counter to a mechanical definition of proportionality between the wage fund and the volume of newly created value. From the viewpoint of combining flexibility and stability in the system of norms regulating the link between wages and net product, the experience gained in other socialist countries merits attention and study [16].

In certain CMEA countries a long-term norm fixing the ratio between the increments of the wage fund and the realized surplus value<sup>7</sup> is set for each major association [17, pp 107-108]. Here the enterprise has a freedom of choice between the use of an increase in the money of the wage fund to increase the number of workers or raise the wage level of the existing workers. In Bulgaria the norms for the increase in average wages ("the income earmarked for consumption" for one employee) per 1 percent increase in labor productivity is set by the government individually for each self-financing association and the latter differentiate them for the enterprises. In Hungary, for a majority of sectors, they have introduced a uniform rate which makes it possible, within the accepted limit, to increase the wage fund by 0.4 percent for each percent of the increase in conditionally net product (for certain sectors these rates are 0.5 or 0.6 percent).<sup>8</sup> The rate is set by

legislation [18]. In all the designated countries, the indicator of net product is calculated by the conventional statistical methods (as a difference) on the basis of data concerning production and expenditures in current prices.

According to the Decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979, the wage fund is limited by its rate per ruble of (normed) net product as approved (on a differentiated basis) for the industrial ministries, associations and enterprises for the five-year plan. However the link between wages and the results of labor, as expressed by this norm, as yet does not play the main role in encouraging a growth of production, since the enterprise is actually not free to choose in using the wage fund to broaden the amount of manpower or to raise the wage level. The growth of the wage fund, in addition to the designated norm, is rather rigidly restricted by the independently set plan for the number of industrial-production personnel, by the standards for the labor intensiveness of the produced product, by the job rating of the work performed, by the system of bonuses paid out of the wage fund and so forth.

6. In line with the normative method for regulating the wage fund, in [19, p 150] the question is raised "of economic incentives which would control the amount of the norms for forming the basic wage and would resist their inflating."

Due to the substantial independence of the effects of labor and management, the splitting of net product into profit and the wage fund should be achieved as a result of a compromise between the task of improving the efficient operations of the enterprise as a production unit (as measured by the amount of profit) and the incentive of its employees to increase their wages. For successfully resolving the problem of separating the designated effects, the enterprise or association management system should be interested in increasing profit (and consequently, reducing the wage fund) while the production personnel would be interested in raising wages. In other words, it is a question of reflecting an objectively existing difference of interests, on the one hand, between the enterprise as the production cell to expand and develop production, and, on the other, the interest of its employees to increase personal consumption.

R. A. Otsason has termed these interests collective and personal. "Collective interest, in directly demanding a maximization of profit, thereby assumes a limitation of labor payment in the form of wages to economically justified limits, while personal interest, in demanding a maximization of the growth of wages, assumes an economically sound limitation on the proportional amount of profit in newly created value" [20, p 11]. This objective difference is a projection to the enterprise level of an analogous contradiction of national economic goals and interests which is resolved in the process of dividing national income into the personal consumption fund and the accumulation and public consumption funds. Obviously a rise in the national economic efficiency of production is a common component of these interests as this would provide an increase in the total amount of national income.

A most logical accounting for the designated two types of economic interests in the economic incentive system can be represented in the following manner. The material incentive for all categories of workers, with the exception of the executives of an enterprise (association) and all types of bonuses be paid from the wage fund. Bonuses for executives would be paid from a special fund formed from net profit.

Such principles are in effect in the incentive systems of certain CEMA countries [17, p 109]. In Hungary, a portion of the bonus fund for the leadership, in accord with the centrally set norms, is linked to enterprise profitability [21, p 24].

Since the work of executives assumes high skill and entails great responsibility, and the results of the efforts of the entire collective depend significantly upon its quality and initiative, their wages should, as a rule, be substantially higher than the average wages in the given organization or sector. One of the ways for realizing this demand can be the setting of fixed leadership surpayments on the basic salary in accord with the position held by the employee [21, p 30].

In our country the incentive of the management system of an enterprise or association to reduce the wage fund is still insufficient. Various approaches to solving this problem are possible and undoubtedly the result will depend upon the specific realization of other management mechanisms. The question of creating a range of conditions which would provide sufficiently strong moral and material incentives to interest the management system in increasing profit (in such a manner that this would not contradict the task of increasing national economic efficiency), with public ownership of the means of production, is certainly not trivial. With good reason recently in a number of the socialist countries disappointment can be felt with the profit indicator which at the beginning of carrying out the economic reforms was recognized by many as the best assessment for economic activities.

7. As was already pointed out, the difference in the average wage conditions is determined by the ratio of the levels of labor skills and complexity in the various sectors. However the relationship between wages and the quality of the labor resources is a two-way one. An increased wage level which may exist for various reasons in a sector, while not being the sole factor, is an important one which attracts a more intensive influx of young persons and can cause a move of a portion of experienced workers from related sectors. The enterprises have an opportunity to fill all positions with the most suitable candidates, to reduce personnel turnover and so forth. Conversely, in sectors with an unjustifiably low wage level, the manpower shortage is more acutely felt, the skill level declines and turnover increases. As a result a rise or decline in the average wage level in a sector leads to a corresponding change in the quality of the labor resources. Naturally this influences the quality and quantity of the goods and services produced by it. The conditions and norms which determine the ratio of the wage levels in various sectors are an important means of distributing the "qualitative" resources between them in accord with the established system of economic priorities [22]. According to this system which came into being in the 1930's, wages in the national economy were characterized by significant gaps between the sectors of the A group, on the one hand, and the sectors of the B group and the service sphere, on the other, as well as between industry and agriculture. The first of these were significantly evened out by the middle of the 1960's.

L. I. Brezhnev, in the report to the 25th CPSU Congress, said: "We still have not learned, while providing high development rates for heavy industry, to rapidly develop also the B group and the service sphere.... Far from everyone has been able to ultimately overcome the attitude toward the production of consumer goods as something secondary or ancillary" ["Materialy XXV S'yezda KPSS" (Materials of the 25th CPSU Congress), Moscow, Politizdat, 1977, pp 54-55].



Wages in agriculture (the wages of employees and payments to kolkhoz members from the kolkhoz public fund) in 1960-1980 rose more rapidly than in the nonagricultural sectors of the sphere of material production (SMP). At present, the ratio of the average wages of the kolkhoz members and employees in agriculture to average wages in the nonagricultural sectors of the SMP is, respectively, 60 and 74 percent [23, pp 567, 405; 24, pp 372, 261]. However, in the aggregate labor income of agricultural workers, income from the private farm plays a much greater role than for non-agricultural personnel. Considering this income, the labor income of agricultural and nonagricultural workers in the SMP in recent years, as an average, has been comparable.

One of the most urgent problems is to overcome the tendency for a lag of wages in the nonproduction sectors behind the wages in the SMP. Subsequently, in speaking about the sectors of the nonproduction sphere and the service sphere, we will also have in mind trade, public dining, material-technical supply, marketing and procurement which, both in terms of the nature of activities as well as the level and dynamics of wages, are much closer to the other sectors of the service sphere than to the SMP where statistics puts them. The table shows the results of the change in the ratios of average wage levels [23, p 372; 24, p 567].

Ratio of Average Wages in Service Sphere (1)  
and in All Nonproduction Sphere (2) to Average Wages  
in Nonagricultural Sectors of SMP, %

Spheres	Years						
	1960	1965	1970	1975	1976	1977	1978
1	67	83.6	72	67.8	66.8	67.8	69
2	74.3	82.2	76	71.4	70.3	71.3	72.6

In the nonproduction sphere, as a rule, there have been significantly fewer opportunities to increase labor productivity by replacing labor by implements of labor and introducing the achievements of scientific and technical progress (see, for example, [25]). The problem of assessing the production volume and, consequently, labor productivity in the service sphere as yet has not found a generally accepted uniform solution. But still, regardless of the disputed nature of the existing approaches, a comparison of the growth rates of labor productivity in the service sphere and in the SMP unambiguously shows lower rates in the former. Thus, labor productivity calculated in terms of used national income in current prices (national income according to the current methodology for calculating it reflects only the product of the SMP) in 1960-1975 rose by an average annual rate of 5.2 percent. The average growth rate of labor productivity in the service sphere over the same period was from 3.5 to 4.5 percent, depending upon the accepted measurement of the volume of services [26]. However, the difference is most significant in the development of the production and nonproduction spheres and this has undoubtedly left its impression on the character of labor in them (the difference of the skill levels of an average worker and so forth). This is obviously apparent as well in the growth rate of the capital-to-labor ratio. While the productive fixed capital



in 1960-1975 rose by an average annual rate of 7 percent, the increase in non-productive fixed capital, minus housing funds, over this same time averaged just 3.8 percent a year [23, p 41; 24, p 64]. Considering the predominant increase in the number of persons employed in the nonproduction sphere, we obtain the striking difference in the growth rates of the capital-to-labor ratio: 7.5 percent in the SMP and just 3 percent in the nonproduction sphere.

One of the reasons for such disproportionate development of the production and nonproduction sectors is in the existing system of economic priorities and the current mechanism of national economic planning and management. After 1965, in management practices a closer tie was established between wages and labor productivity. This led to a rise in the growth rates of both these indicators. However, the changes caused by the reform involved basically the sectors of the SMP. The growth rates for average wages in the nonproduction sphere remained on the former, comparatively low level, with the exception of the years during which measures were carried out to systematize the wage system in both sectors (within the last two decades this was 1965 and 1977-1980).

A definite indicator of the state of the sectors in the nonproduction sphere is the surviving practice of measuring and planning labor productivity in the national economy on a basis of national income which reflects only the results of material production [26, 27]. From the viewpoint of the dynamics of the current indicators, no matter how important the development of the service sphere for society, the channeling of money, for example, capital investments or wage funds, into this sector, and, respectively, the diverting of these assets from the production accumulation or wage funds in the SMP will be viewed as a deterioration in the overall results of economic development.

The task of establishing more effective proportions in the development of the production and nonproduction spheres, including in the ratio of the wage levels in these sectors, is still waiting for its solution. However it is clear that a further lag of the wage level in the nonproduction sphere can lead to a number of negative socioeconomic phenomena. The problem of the manpower shortage is aggravated and this causes personnel vacancies at the enterprises in certain sectors of the service sphere and a decline in the quality of services and supply. An example of the consequences of the relative decline in the wage level in trade could be the insufficient level of the study of demand by the trade organizations and the soundness of orders. One of the reasons for this (although, possibly, not the main one) is the low skills of the trade workers (moreover this also impedes the mechanizing of accounting and reporting operations). The losses from oversupply in certain regions of the nation and a shortage of the same goods in other ones undoubtedly exceed those funds for an additional rise in wages which would be needed to attract a sufficient number of skilled and able workers into trade. In a number of instances the gap in the wage levels in the SMP and in the sectors of trade and the service sphere has also led to speculation, embezzlement and so forth. As a result, in addition to labor income, proximity to sources of supply and the production of goods and services becomes an important factor in distribution.

It is natural to assume that the designated problems should be analogous in countries which are close in terms of the degree of economic development and for this reason it is advisable to turn to international comparisons. The statistical data for the CEMA countries [28, p 404] show that in them (with the exception of the

USSR) the ratio of average wages in the sectors of the nonproduction sphere to average wages in the SMP and the national economy over the last 20 years has remained stable or increased, and everywhere it was higher than in the USSR. Thus, in the CSSR it declined from 18 percent in 1960 to 11 percent in 1975, in Hungary, in 1976, it was just 10-11 percent, while at the same time in the USSR, this gap rose from 24 percent in 1960 up to 30 percent in 1975 and declined to just 28 percent by 1977. The question of the most effective ratio of the wage levels in the nonproduction and production spheres undoubtedly requires serious study.

#### FOOTNOTES

1. A number of economists (see, for example, [1, 2]) consider the basic function of wages to be the covering of expenditures on the reproduction of the labor force. Here we do not examine this viewpoint since, in our opinion, it has been subjected to sufficiently convincing criticism in [3, 4].
2. This is confirmed, in particular, by the constructing of two-factor regression dependences for the average wages of employees as a whole for the national economy and for the group of the nonagricultural sectors of the sphere of material production from the indicator of labor productivity (national income divided by the number of persons employed in the sphere of material production) and time, where a closer statistical relation is observed with the first factor. The calculations were carried out at the TsEMI [Central Mathematical Economics Institute] of the USSR Academy of Sciences under the leadership of the author and Yu. P. Solov'yev.
3. The calculations were carried out at the TsEMI of the USSR Academy of Sciences under the leadership of Yu. P. Solov'yev.
4. The determining importance of a differentiation of wages for encouraging labor productivity has been most thoroughly shown in [3, 5, 12]. The authors of these works have examined in detail the indicators for measuring the differentiation of wages [3, Chapter III], as well as the dynamics of the given indicators for the USSR and the factors determining the dynamics.
5. Special research on the dependence of the deductions into the material incentive funds upon the fund-forming indicators also discloses an actual absence of a statistical link between them [13].
6. The experience of the CEMA countries indicates that during a period of 4-5 years after a regular revision of the wage rates, average wages for each skill group approach the upper limit.
7. The indicator of the realized surplus value is close to the conditionally net product and is calculated by excluding the value of raw products, materials, expenditures on retiring investment credits and interest for their use from the total amount of sold products and services.
8. Here, if average wages over a year rises by more than 9 percent, the enterprise pays, in addition, a one-shot tax to the state budget amounting to 150 percent of the amount of excess.

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## LABOR

### WAGE INCREASES, ENCOURAGING HIGH LABOR PRODUCTIVITY

Moscow SOTSIALISTICHESKIY TRUD in Russian No 1, Jan 81 pp 24-31

[Article by L. Kheyfets, section chief of the Scientific-Research Institute of Labor, candidate for the degree of doctor of economic sciences: "Growth in Wages and Encouraging High Labor Productivity"]

[Text] During the years of the Tenth Five-Year Plan (1975-1980) in the area of wages for workers and employees of the national economy a large number of measures were taken to further raise the material and cultural standard of living of workers. Speaking at the October (1980) Plenum of the CPSU Central Committee Comrade L. I. Brezhnev pointed out that "this is the Party approach when the concern about the wellbeing of the people rests at the top of the pyramid."

In recent years there has been an increased emphasis on the motivating role of wages in fulfilling the assignments of the five-year plan. An important stage is connected with the use of economic levers and incentives, which were created in accordance with the decree of the CPSU Central Committee and the USSR Council of Ministers "Concerning the improvement of planning and strengthening the influence of the economic mechanism upon raising the efficiency of production and the quality of work."

The basic functions of wages - social and economic - are closely intertwined; therefore, raising the wage rates and position salaries of workers of various sectors is reflected first of all in the growth of the level of their wages and promotes the revelation and use of additional reserves of enterprises, and the universal renovation of standards of labor expenditures. At the same time the introduction of several progressive forms of material incentives is connected with a growth in wages for different categories and groups of workers. Thus, the use of a system of supplementary payments for combining professions is one of the important methods for encouraging a growth in labor productivity, which is accompanied by an increase in wages for a relative-large number of workers.

While preparing for the 26th Party Congress it is very important that we add up some of the results of what was done in the past five-year plan and determine the opportunity to use existing forms of material incentives to fulfill the tasks of the Eleventh Five-Year Plan.

The measures that were taken in the past five-year plan can be divided into three groups. One group is connected with the change in the wage rate conditions and the introduction of cost of living allowances. Another group is connected with the use of new forms of motivation and the more extensive adoption of leading experience of material incentives that was gained in preceding years. Finally, we must note the measures taken to improve the bonus systems and strengthening the economic incentive that promotes the growth of the material motivation of collectives and individual workers to be interested in the results of their labor.

The final result of implementing all of these measures is a growth in the average wage of workers and employees, which has led to a further growth in the wellbeing of workers and a growth in family income over the five-year plan. On the whole for the national economy the average wage of workers and employees increased from 1975 through 1979 from 145.8 to 163.3 rubles per month, or by 12 percent. The highest level of wages was in the leading sectors of the national economy: in industry 180.4 rubles, in transport 192.8 rubles and in construction 196.6 rubles.

Along with the growth in wages, amounting to approximately three fourths of the income of a worker's family, there was an increase in compensation and benefits from the public consumption funds. It is important that in comparison with the incomes of the entire population, the incomes of the less well provided for families grew the fastest. As early as 1979 47 percent of the population had an income greater than 100 rubles per month per family member, while in 1976 this figure was 38 percent and in 1965 it was only 4 percent.

The most important of the measures to further improve the wage rate system as the basis for the state regulation of wages in the past five-year plan was the rise in minimum wage with a simultaneous increase in wage rates and fixed salaries for the average pay categories of workers engaged in the non-production sectors of the national economy. The rise in wages, which was completed in 1979, included 31 million workers and employees of these sectors. The actual wage increase in eastern and northern regions was 21 percent. In the second group of regions (the republics of Central Asia, the Urals, the Kazakh SSR, the Volgo-Vyatsk rayon and the Volga River area) the wages of workers in production sectors increased by 18.5 percent. Due to the introduction of new rate conditions the correlation of the average wage of workers in the non-production sectors and production sectors improved and is now equal to .8 : 1. Such a positive shift also took place within the non-production sphere. The wage increase was less in design and planning organizations and in scientific-research institutions which already have a relatively higher wage.

On the basis of improving the rate conditions pay rose not only in the non-production sphere. Important measures in this direction were taken in the coal and shale industries and in mining construction. Pay was increased for individual categories of workers employed in ferrous and

nonferrous metallurgy, in the textile industry, in construction and in agriculture.

In several sectors, as called for by the program for the social development and raising the standard of living for the people, there was an increase in additional pay for working at night, for example, for workers on the railroads and subways of the Ministry of the Railways. Additional pay was increased for workers employed in the tire industry and for workers engaged in printing newspapers on stereotype, off-set, zincographic and other sections as well as workers in dispatch offices of copy-machine enterprises and for individual categories of workers in other sectors of the economy.

In the first six months of 1977 night work differential pay was introduced for foremen, senior foremen and assistant foremen of production sectors of production associations (combines), scientific-production associations, industrial enterprises, and construction and repair-construction organizations in amounts established for the workers in these sectors. During this same time period regional coefficients to wages of workers and employees of several enterprises were increased.

Construction and railroad workers began receiving compensatory pay for longevity by region of the country. This measure, which is important in its scope, is connected with the solution of one of the tasks established by the 25th Party Congress in the area of wages: to strengthen the role pay in increasing labor discipline and reducing labor turnover at the enterprises. Longevity pay represents only one of the many forms to stimulate a rise in labor discipline, toward which the activity of workers responsible for organizing wages in production collectives must be directed. This position is clearly defined by the decree of the CPSU Central Committee and the USSR Council of Ministers and the All-Union Central Trade Union Council, "concerning the further strengthening of labor discipline and reducing labor turnover in the national economy." In particular, it is planned to improve the organization of wages, to raise the quality of its norm setting, to strengthen control over the use of existing conditions of pay and norm-setting and primarily over the adoption of norms of equal intensity in sectors and jobs with more or less the same level of labor organization and availability of equipment, and to prevent a disparity between the labor contribution of a worker and the pay that he receives.

Along with the changes in rate conditions, which have had a definite impact on the level of wages, questions having to do with improving the pay system have been successfully solved. Much attention was devoted to strengthening the incentive role of wages in the growth of labor productivity and raising the level of its norm-setting.

To achieve these goals various methods of material incentive awarding to workers were used. The most effective methods were the progressive forms of motivation, which were tested and extensively used in economic activity during the Ninth Five-Year Plan. These included rates that were increased to 20 percent for work according to norms, that were estimated on the basis of intersectoral and sectoral norms of labor



expenditures. The basic value of this form of incentive is to replace outmoded norms with technically sound norms, which make it possible to raise labor productivity and to improve its organization.

An important feature of using increased rates is the fact that they make it possible to raise output norms and to improve their quality without any loss in wages to the workers. When raising wage rates and fixed salaries in the production sectors of the national economy in the years 1972-1975 this form of incentive was successfully used for a massive review of outmoded norms in machine building enterprises and several other sectors. When the level of norm overfulfillment was relatively high, the increased rates were established at the maximum amount. In the Tenth Five-Year Plan it became possible to introduce increased rates on a more differentiated basis and to more fully take into consideration the quality of the new norms that were being reviewed. The use of this form of incentive was more flexible and purposeful; and a great deal of experience was accumulated in the use of the increased rates. All of this helped not only to maintain the level that was achieved in the Ninth Five-Year Plan for setting labor norms, but also to raise it. The number of piece-rate workers who were employed according to technically sound norms was approximately 72 percent prior to the introduction of new wage conditions in 1972; following their introduction in the years 1976-1980 this figure was 83.5 percent.

We must assume that in the future this form of incentive will be further developed. It is no accident that the number of sectors which use the increased rates (machine building, sectors of the light industry and enterprises that produce rubber footwear and rubber manufactured articles) was expanded in 1977 at the expense of ferrous and nonferrous metallurgy. The simplification of the procedure by which the ministries and departments will receive permission to use the system of increased rates (presently the USSR State Committee for Labor with the approval of the All-Union Central Trade Union Council makes this decision) will speed up its dissemination.

The Tenth Five-Year Plan was a new stage in the development of the material incentive system through a review of norms on their own initiative. As early as the end of 1975 the USSR State Committee for Labor and the All-Union Central Trade Union Council gave their approval to the positive experience of enterprises in Vladimir and Rostov oblasts in reviewing labor norms and replacing them with new, progressive norms. Born at the Aksay Plastic Articles Plant, the lead enterprise of the Khimprodukt Production association, this experience was more successfully disseminated after the massive review of norms when introducing new wage conditions in the Ninth Five-Year Plan. The basis of this experience is the improvement of labor organization, improving the methods and styles of work, the more economical use of work time, and raising the skill and professional mastery of the workers. The initiative of the workers to review the norms was reinforced by effective measures of material incentive, which call for workers to be paid not less than 50 percent of the savings in the wage fund, which must be received as the result of adopting or reviewing the technically sound labor norms.

The remaining savings serve as a source of funds for other incentive payments, which strengthen the material motivation of all enterprise workers to improve production indicators.

The material incentive for the initiative of the workers to adopt technically sound labor norms and their timely review is being further developed. In connection with improving the economic mechanism the payment to workers of a one-time award at the expense of the savings obtained from the review of the norms, is becoming the rule for the day-to-day use in organizing the norm-setting of labor in production associations and at enterprises. It has now been clearly determined that the specific amounts of the one-time award are established in relation to the amount of the rise in output norms and to the extent that labor expenditures for the new norms are less than the labor expenditures, stipulated by the intersectoral, sectoral and other technically sound norms. The interpretation of the incentive for the initiative of workers to adopt technically sound labor norms and to review them on a timely basis, which was approved by the USSR State Committee for Labor and the Presidium of the All-Union Central Trade Union Council on 8 February 1980, regulates several other matters: awarding bonuses to workers who support the initiative to adopt and review norms; the review of norms and the one-time award to workers under the brigade form of organization and labor incentive.

The steady growth in the creative activity of workers and raising the role of one-time bonuses for their initiative permit us to think that in the new five-year plan this form of incentive will be more extensively disseminated.

In the Tenth Five-Year Plan much that was new was evident in maintaining such an important form of incentive for growth in labor productivity, as the material incentive for combining professions (duties) and fulfilling work with fewer working personnel. Throughout the entire history of the development of the Shchekino method, which was included as a crucial element in the system of material incentive, experience was accumulated in using internal reserves for a growth in labor productivity on the basis of the better organization of labor and expanded opportunities to combine professions (duties) under the influence of scientific-technical progress and the steady growth of the educational and the professional and skill level of the workers.

In spite of the dynamic nature of these factors, at the start of the Tenth Five-Year Plan specific difficulties developed in disseminating the Shchekino method. In 1978 these difficulties were overcome and conditions were improved for the comprehensive adoption of measures based on the experience of the Shchekino workers. The "Procedure for using the Shchekino method of improving labor organization, material incentive and planning", which was approved by the USSR State Committee for Labor, the USSR Gosplan, the USSR Ministry of Finance and the All-Union Central Trade Union Council, helped to accomplish this. The new document outlined several additional ways to motivate workers (establishing additional pay for workers engaged in equipment repair; increasing the amounts of bonuses for workers who achieve high results

in labor productivity; increasing the amounts of awards given to inventors and rationalizers for the first year of use of their suggestions that are primarily directed at reducing the labor intensiveness of manufacturing a product). A more flexible solution was found for the problem of estimating the amounts of savings to the wage fund. The enterprises have been given the right to deposit the unused portion of the savings in wages, obtained by personnel reductions, in the material incentive fund.

The Shchekino method is being used with success at enterprises of various sectors of the economy. It has been used successfully at the Kalush Production Association Khlorvinil, at the Balakhna imeni P. E. Dzerzhinskiy and Kotlass imeni Fifty Years of the All-Union Leninist Communist Youth League cellulose and paper combines, the Orsha flax combine and at the Tbilisi sugar refinery in Krasnodarskiy Kray. At each of them they have taken the sectoral specification into consideration and simultaneously made use of the general principles of using incentives according to the experience of the Shchekino workers. Among the many collectives which are developing the Shchekino method special mention should be made of the production association Polimir imeni Fifty Years of the Belorussian SSR. This association developed and adopted a new method for servicing equipment: in the production facilities that have a continuous technological process instead of tying up workers of individual zones and units, i.e., individual servicing, they have introduced the collective servicing of all technological equipment in the division (shop). Each worker of a technological brigade (shift) possesses several skills and can perform work at all stages of the production process.

The further development of material incentive forms for combining professions and fulfilling the established amount of work with fewer workers were envisaged in paragraph 53 of the decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979, "Concerning the improvement of planning and strengthening the influence of the economic mechanism upon raising production efficiency and work quality." For all categories of workers the maximum amount of additional pay was increased from 30 to 50 percent. Since the unused portion of the savings in the wage fund can be transferred to the material incentive fund at all enterprises, there is no danger that these funds will not be used to pay bonuses and one-time incentives.

The system of awarding incentives for combining professions and fulfilling established amounts of work with fewer workers is now based on more improved methods for planning the wage fund. Of particular importance is the fact that a foundation has been laid to increase the stability of the wage fund for each year of the five-year plan. In the past frequent changes in the size of the wage fund were chiefly responsible for the limited use of the Shchekino method in machine building and in several other sectors of the economy.



The material incentive of workers who can operate several machine tools and can service machine tools in excess of established norms is closely related to the system of awarding incentives under the experience of the Shchekino workers. This possibility has been manifested in connection with the fact that the high rates of re-equipping production and its modern level of rationalization have speeded up the process of reducing labor expenditures at the work position; and for workers who can operate several machine tools work time reserves are more often beginning to appear.

This form of awarding incentives, which is called for by conditions of wages in the production sectors of the national economy, was more extensively disseminated in the Tenth Five-Year Plan. The positive experience of above-norm servicing of machine tools was accumulated in enterprises of the electrotechnical and automotive industries. To further develop the multi-machine tool servicing it will be necessary to solve several organizational problems, including the adoption of wage differentiation methods depending upon the complexity, intensiveness and conditions of their labor and the creation of a material motivation of engineering and technical workers to prepare and adopt measures in regard to multi-machine tool servicing.

One of the trends in stimulating a growth in labor productivity in the Tenth Five-Year Plan was the use of the dinamo method, which came into being back in 1966. Since then and up to 1979 at the Moscow Electrical Machine Building Plant Dinamo imeni S. M. Kirov the amount of product sales has doubled, while the number of workers has been reduced by one fourth. The dinamo method, the essence of which consists of each worker having his own personal plan, is being used successfully in various forms at the Sibelektrotyazhmash plant, the Armavir electrotechnical plant imeni 50 years of the USSR, the Ternopol' Production Association Vatra imeni 60 years of the Soviet Ukraine, and at other enterprises.

There is an erroneous opinion that the importance of the dinamo method in recent times is declining because of the intensive adoption into industry of the brigade forms for organizing and awarding incentives to labor. Practice demonstrates that we can combine the collective forms of the brigade organization of labor and individual personal plans. At the Leningrad Production Electrical Machine Building Association Elektrostal; imeni S. M. Kirov the personal plans are basically compiled in the brigades, which makes it possible to adequately take into full consideration the potential of each member of the collective. \*

The growth in worker skills, which relates to the number of more important factors in raising labor productivity and improving product (work) quality, was and remains one the basic tasks of material incentive for the participants in socialist production. In the Tenth Five-Year Plan much attention was devoted to stimulating the further growth in skill level - the material incentive of workers for professional mastery. It

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\* K. Petukhov: The Dinamo Method Lives, PRAVDA, 1980, 30 September.



was during this period that the system of awarding incentives, which is common to all industrial enterprises, was formulated. This system makes it possible on an adequately operational basis to consider the raising of a worker's mastery in his wages. And what is particularly important is the fact that the introduction of additional pay was made dependent upon the savings in the wage fund that was formed as the result of the collective's successful work. This was preceded by various experiments, which were conducted at individual enterprises, and the use of the VAZ /Volga Automobile Plant/ experience, where they developed and adopted a very effective system of production management and organizing and paying wages.

The decree on improving the economic mechanism makes it possible to use additional pay for professional mastery at virtually all enterprises where there is a savings in the wage fund that was obtained in comparison with the standard of planned wage fund.

The interpretation of the procedure for granting additional pay, which was approved by a decree of the USSR State Committee on Labor and the Secretariat of the All-Union Central Trade Union Council in December 1979, spells out the criteria for evaluating the level of professional mastery: high quality of labor, the systematic fulfillment of output norms and standard assignments, strict observation of technological and production discipline, the assimilation and, as a rule, fulfillment of work for related operations and professions. In content this list is very similar to the requirements, which are taken into consideration when establishing extra pay at the VAZ and at other enterprises which use this system. Based on the practice of using extra pay at the VAZ, one can reach the conclusion that the additional pay measures, which were introduced in accordance with the decree on improving the economic mechanism, when used correctly can occupy third place in importance and percentage (after pay for overfulfillment of norms and bonuses) in the structure of the above-rate portion of wages.

Additional pay of 4, 8 and 12 percent of the fixed rate is seen as an independent element of workers' wages. At the VAZ such additional pay is part of the total system, which, as a rule, makes it unnecessary to use the piece-rate form of wages. Therefore, the Recommendations for the dissemination of the comprehensive system of organizing production, labor, management and wages, which is used at the Volga Automobile Plant, which were published in 1979, call for the possibility in some cases to award additional pay for professional mastery in increased amounts: skill-category IV workers up to 16 percent, skill-category V workers up to 20 percent and skill-category VI workers up to 24 percent of the fixed rate.

At the end of the five-year plan a new stage in the dissemination of the VAZ experience was begun. According to the decree of the USSR Council of Minister of 5 April 1979, "Concerning measures to strengthen the motivation of production associations (combines) and enterprises of industry to adopt a comprehensive system of organizing production, labor, management and wages that is used at the Volga Automobile Plant", the experimental adoption of this system was undertaken

at several enterprises of the USSR Ministry of Ferrous Metallurgy, the USSR Ministry of the Chemical Industry, the USSR Ministry of Instrument Making, Automation Equipment and Control Systems and several other ministries. Forms for stimulating a growth in labor productivity, improving its norm-setting, achieving the planned labor intensiveness of manufactured articles and improving product quality, which are used at the VAZ, will be further developed at more than 50 enterprises.

Along with additional pay for professional mastery other forms of stimulation will be used. Thus, the ministries and departments of the USSR may permit enterprises, which have been transferred to the comprehensive system, to establish for highly skilled workers in place of fixed rates fixed salaries amounting to 250 rubles per month within the limits of the planned wage fund, using for these purposes not more than .8 percent of the wage fund. The listed enterprises have the right to establish for individual categories of workers in the leading professions fixed rates than have been raised by 20 percent when working according to standardized assignments, servicing norms and standards for number of workers, which were calculated according to inter-sectoral, sectoral and other more progressive standards of labor expenditures.

The role of the skill factor has substantially increased in the awarding of incentives to engineering and technical workers and employees. In the practice of awarding incentives to highly-skilled senior workers and other engineering and technical workers additional pay to position salaries has long been used. This additional pay makes it possible to isolate the best workers by salary. The functional significance of this additional pay, which is established in accordance with paragraph 83 of the Statute governing the socialist state production enterprise, was connected with the solution of several problems, of which we should make note of the raising of material motivation to increase labor efficiency and to improve the correlation of the wages of foremen and the workers that are subordinate to them.

In the decree concerning the improvement of the economic mechanism emphasis is placed upon the fact that additional pay is established for a high skill-level, which is specifically manifested in increasing the personal labor contribution, the successful fulfillment and overfulfillment of assignments over a long period of time, and in the growth of creative activity and the initiative of people. The high skill-level of a foreman or another engineering-technical worker does not exclude the possibility of changing through the use of additional pay the evolved correlations of the levels of pay for his labor and the pay for the labor of other workers in the same structural subelement (section, shop, department). One can assume that in the near future the sphere of the use of additional pay will be significantly broader, since according to paragraph 53 of the decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979 the total amount of funds available for establishing additional pay has been increased by more than 3-fold (from .3 to 1 percent of an enterprise's wage fund). The production associations (enterprises) have been given the right to establish additional pay for all workers in the management apparatus, including employees, for a high skill-level. The maximum amount of the additional pay is up to 30 percent of fixed salary, and up to 50 percent for designers and production engineers.

One of the tasks in the field of wages in the past five-year plan was the more extensive use of the brigade pay for the final results of labor in industry and in other sectors. Experience that has been accumulated while solving this task has made it possible to direct the efforts of the ministries, departments, associations and enterprises toward developing and implementing measures to broadly develop the brigade form for organizing and awarding incentives, while keeping in mind that in the Eleventh Five-Year Plan this form must become the main form.

The brigade organization of labor and material incentive represents a new stage in the development of collective forms of participation in public production in conditions of a developed socialism. Labor cooperation within the framework of the brigade ensures a rise in labor productivity, an improvement in product and work quality, and in combination with the distribution of pay according to the coefficient of labor participation creates the conditions for strengthening the material motivation of workers to strive toward collective and individual labor results.

According to data of the Scientific-Research Institute on Labor, during the past several years the percentage of workers who have been joined together into brigades has increased at enterprises of the machine building sectors from 24 to 36 percent; in the ship building industry and in heavy and transport machine building more than half of the workers are now in brigades. At leading enterprises the brigade form of organization has already become the main form of organization. The Kaluga turbine plant, where more than 95 percent of the workers have been put into brigades, is a good example.

During the five-year plan there has been an expansion in the practice of organizing brigades on cost accounting principles, where to a large extent the advantage of collective forms is manifested. In construction and in industrial sectors the brigade contract is being developed. The brigade contract is another version of brigade cost accounting [khozraschet]. In contrast to the usual cost accounting the brigade collective draws up a contract with the administration of the section or shop, which obliges the brigade to fulfill the amount of work that it has been assigned (assignment for product output) on a timely basis and with a certain level of quality; the brigade also bears responsibility for the results of its cost accounting activity. The administration is obliged to create the necessary conditions for fulfilling the contract and to award additional incentives to workers for the final results of their work. In construction, where the brigade contract has been most extensively used, fairly frequent use is made of paying bonuses for conserving assets in comparison with the planned production cost. By the end of the five-year plan in construction, according to data of the USSR Central Statistics Administration, more than 35 percent of the brigades were working by the contract method.

According to the decree of the Party and government concerning the improvement of the economic mechanism, the brigades were given broad rights in the field of wages. They were given the opportunity within



the limits of their established norms and assets to determine the amounts of bonuses and pay that are paid out for work results of the entire brigade collective, taking into consideration the actual contribution of each to the common results. The collective (council) of the production brigade recommends brigade members for additional pay for professional mastery and combining professions. It also advises the administration and trade union organization to change in proper order the worker's skill-category in view of the quality of his labor and to decide the winners of socialist competition within the brigade and the amounts of their incentives, and to advance from the ranks of the brigade candidates for material and moral incentive based on the results of the intra-plant socialist competition.

The decree of the USSR State Committee for Labor and the Secretariat of the All-Union Central Trade Union Council of 16 January 1979 sanctioned the "temporary recommendations for the development of brigade forms of organizing and paying workers at machine building and metal working enterprises." In 1980 the Scientific-Research Institute on Labor issued methodological recommendations on "the organization of brigade pay for the final results of labor in industry." We must assume that the recommendations will be an important aid in the further dissemination of this form of organizing and motivating labor.

During the five-year plan quite a bit was done to improve the system of awarding bonuses to workers and employees, to strengthen the dependency of bonuses upon the results of labor, product quality, fulfilling production assignments and adopting technically sound output norms. Starting in 1978 the "Basic statutes on awarding bonuses to workers of production associations (combines) and industrial enterprises for the basic results of economic activity" went into effect. In the sectors and production associations much work has been done to strengthen the systems for awarding bonuses and to bring them into alignment with the new requirements of economic practice.

For management workers of a production association (combine) and an enterprise the growth in labor productivity, the percentage of product of highest category of quality and also the total profit earned are used as the basic indicators for awarding bonuses. Bonuses are awarded by taking into consideration the fulfillment of assignments and pledges for product deliveries in accordance with contracts. This was reflected in the indicators for awarding bonuses to the management workers of an enterprise as well as to the engineering and technical workers and employees in the shops. In awarding bonuses to workers use is most often made of the indicators that are connected with the growth in labor productivity and improving product quality. After the introduction of the basic Statutes governing the awarding of bonuses of the USSR State Committee on Labor and the All-Union Central Trade Union Council, taking into consideration the particular importance of the product quality indicator, and having studied and generalized the experience of leading enterprises of L'vov Oblast and other industrial centers, on 13 April 1978 they approved the "Recommendations for organizing the material and moral incentives for workers employed in enterprises (associations) for



raising product (work) quality in the machine building and metal working industries." It was recognized as advisable to disseminate the practice of awarding incentives for improving the quality of product (work) for all categories of workers, engineering and technical workers and employees.

In connection with the introduction of the new system of planning indicators and economic standards, called for by the Decree of the Party and government to improve the economic mechanism, it was necessary to augment the "Basic statutes governing the awarding of bonuses to workers of production associations (combines) and enterprises of industry for the basic results of economic activity". The USSR State Committee for Labor and the Presidium of the All-Union Central Trade Union Council did similar work and in June 1980 approved the needed clarifications, which will make it possible in the Eleventh Five-Year Plan to more fully use the incentive system to strengthen the influence of the economic mechanism upon raising the effectiveness of production and the quality of work.

The years of the Tenth Five-Year Plan are characterized by the further strengthening of the methods of material incentive awards to production collectives and on this basis ensuring the closer coordination of workers's incomes with their contribution to the development of public production and raising its efficiency.

In reviewing the mechanism for forming the material incentive fund, it is necessary to note that with the rise in the role of the indicators for growth in labor productivity and increasing the percentage of product that is of highest category of quality the responsibility of the collective to society also increases. At the same time there is heightened responsibility to fully determined collectives, since within the system of the fund forming indicators allowance is made for the fulfillment of contracts for product deliveries. The basic theories of forming the material incentive fund and the experience in using them have served as the basis for the further development of the system for fund forming in the Eleventh Five-Year Plan.

During the years 1976 through 1980 the scientific-research organizations, the design, planning and design and technological organizations, enterprises, production and scientific-production associations of several ministries were transferred to a new system of planning, financing and economic stimulation of work on new equipment. This called for the formation of incentive funds from deductions from profit of the enterprises, production and scientific-production associations that was obtained as the result of an actual reduction in production cost due to the use of new scientific-technical solutions (improving the technological processes, improving the organization of labor and production management, reducing relative outlays of materials, growth in labor productivity, etc.). Other sources are also used. For example, deductions from additional profit obtained from surcharges to wholesale prices for new (modernized) manufactured articles.

Special mention should be made to the search for ways to establish a closer tie between the volume of production and the wage fund. The normative method has become an important part of the practice of planning the wage fund in recent years. It is now being adopted not on an experimental basis but as the basic method for planning wages in enterprises of the Ministry of Heavy and Transport Machine Building, the Ministry of Chemical and Petroleum Machine Building, the Ministry of Agricultural Machine Building and several other ministries. The turning point in the development of the normative method was the decree concerning the improvement of the economic mechanism. The majority of sectors were orientated toward using longterm wage standards per ruble of product. In keeping with the tasks outlined in this area, the USSR Gosplan, the USSR State Committee for Labor, the USSR Ministry of Finance and the USSR Central Statistics Administration in October 1979 approved the methodological instructions covering the procedure for determining longterm standards of wages per ruble of product. In this manner a basis was created for the extensive use of the normative method today. Among its most important advantages are the possibility for the production associations (enterprises) to juggle their assets for wages in order to solve strategic tasks for the development of production, for the successful fulfillment of the production plan, for raising the motivation of the collective to create an additional savings in the wage fund, which are used to establish additional pay and to award bonuses to workers and employees.

Thus, in recent years in all sectors of the national economy an active process of improving existing and adopting new forms of material incentive has been taking place. Experience has been gained in putting them to effective use in solving social and economic tasks. The evolved forms of material incentive basically meet the requirements of economic construction. In this regard it is necessary to emphasize the dependency between the growth in the standard of living of the Soviet people, which has been placed at the center of the practical work of the Party in the economic area, and the organization of wages, including the use of various methods of awarding material incentives. The basis of the growth in the well-being of the people are raising the effectiveness of the economy and the intensification of all public production. As can be seen in the draft of the CPSU Central Committee's "Basic trends for the economic and social development of the USSR during the years 1981 through 1995 and for the period until 1990", in the Eleventh Five-Year Plan the Soviet Union will make substantial advances. While realizing the plans all basic elements of wages will have a serious influence upon solving the tasks projected by the Communist Party and the Soviet government for the near and long-term future.

Raising the level of wages promotes a growth in the well-being of the people and simultaneously creates conditions for strengthening the effectiveness of forms of awarding material incentives. An ever more important role must be assigned to stimulating the rise in production effectiveness and quality of work. At present one of the most crucial questions in the field of wages must be considered to be speeding up the rates of adoption and the significant expansion of the scales of using all progressive forms of awarding material incentives.

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## LABOR

### LABOR ACTIVENESS INDICATOR DEFINED

Moscow EKONOMICHESKIYE NAUKI in Russian No 2, 1981 pp 91-95

[Article by Candidate of Geographic Sciences B. Movchan and Candidate of Economic Sciences N. Chikovskiy (Leningradskaya Oblast): "On the Indicator of the Labor Activeness of the USSR Population"]

[Text] "In the area of the social sciences, concentrate efforts on the following directions: expanding research on...demography and labor resources use" (from the CPSU Central Committee draft "Basic Directions of USSR Economic and Social Development in 1981-1985 and Through 1989" for the 26th Party Congress).

Successful resolution of the economic tasks facing our society is determined by the intelligent, effective use of labor resources, the primary productive force of society. The CPSU Central Committee draft "Basic Directions of USSR Economic and Social Development in 1981-1985 and Through 1989" for the 26th Party Congress points out that the intelligent use of labor resources, along with natural and material resources, will be "the decisive and most effective method of augmenting the national wealth of the country."<sup>1</sup> The most important aspect of labor resources use is providing intelligent, effective employment.

Given intensification of the social reproduction process, employment possesses a number of features. The first and primary one is, in our view, that it is not only natural population increment which emerges as a source of labor resources, but also, and significantly, the freeing of workers from a number of production processes as a result of the use of achievements of the scientific and technical revolution. There was such liberation previously as well, but it was limited basically to the agricultural sector of the economy. The situation has now changed, and labor resources can be derived for new branches, production and enterprises from practically any link of material production in which labor productivity growth has been achieved which permits freeing some workers under given objective conditions. As a result, supplementing labor resources becomes to a certain extent independent of the boundaries of actual

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1. "Proyekt TsK KPSS k XXVI s"yezdu partii. Osnovnyye napravleniya ekonomicheskogo i sotsial'nogo razvitiya SSSR na 1981-1985 gody i na period do 1990 goda" [CPSU Central Committee draft for the 26th Party Congress. Basic Directions of USSR Economic and Social Development in 1981-1985 and Through 1989], Moscow, 1980, p 12.

population growth.<sup>1</sup> This circumstance is of enormous importance to developing the economy, especially in view of the acknowledged exacerbation of the labor resources problem which will occur in the near future.

Whereas with extensive development, the employment problem reduced basically to job placement for young people, given production intensification in every way possible, these problems must also be solved for a large number of workers being freed from production. It should be noted that those being freed are basically workers with less occupational training than is required in other sectors of production. This makes the personnel retraining question urgent and makes it an absolute condition for ensuring full employment of the population. The seriousness of this problem is especially obvious if we bear in mind the fact that worker general educational and occupational training requirements are continuously increasing.

The problems referred to, like any other socioeconomic problems in our society, are being solved on the principles and within the framework of a plan. Here, substantiated selection of plan indicators is of most important significance; among them, given production intensification, the indicator of labor activeness of the population has acquired special significance.<sup>2</sup> It describes, on the one hand, the opportunities and requirements of society at a given level of development of productive forces and production relations in the workforce, and on the other, people's requirement that their abilities be used socially in labor activity. The indicator of labor activeness  $T_a$  provides quantitative information on the relative number of people employed in the national economy, a quantitative measure of full employment. It can be calculated both for the labor resources of the country (region) as a whole and for individual age-sex groups. The calculation is made using the formula:

$$T_a = \frac{v^i}{N_{tp}^i},$$

where  $v^i$  is the population employed in the national economy,  $N_{tp}^i$  is the number of labor resources in society and  $i$  is the unit of time used in the calculations.<sup>3</sup>

Along with the indicator of labor activeness, some works have proposed defining an indicator of economic activeness  $\mathcal{A}$  of the population, calculated using the formula:

$$\mathcal{A} = \frac{v^i}{N^i},$$

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1. For more detail, see: Ye. Ruzavina, "Zanyatost' v usloviyakh intensifikatsii proizvodstva" [Employment As Production Intensifies], Moscow, 1975, p 35.
  2. See, for example: "Vosproizvodstvo naseleniya i trudovykh resursov" [Population and Labor Resources Reproduction], edited by N. P. Fedorenko, Moscow, 1976, p 100; A. P. Korchagin and L. S. Sbytova, "Sfera uslug i zanyatost naseleniya" [Services Sphere and Employment], Moscow, 1970, p 61, and others.
  3. In some instances, when calculating the overall labor activeness indicator, it is defined as the ratio of those employed in the national economy to those of working age. This method of calculating this coefficient is inadequately adjusted, that is, the numerator includes the employed population of pre- and post-working age, which is not included in the denominator.



where  $N$  is the size of the whole population.<sup>1</sup>

In the indicated works, the indicators of labor and economic activeness are viewed as being practically identical. In actuality, that is far from so. True, the indicated indicators express the exact same socioeconomic phenomenon, but different aspects of it. The indicator of labor activeness of the population expresses the degree of participation of labor resources in the national economy. Other conditions being equal, it is determined by the desire of people of working age to work and by society's opportunities for giving those persons jobs. It consequently describes the level of employment of that population which, from society's viewpoint, can and must take part in the public economy. But the indicator of economic activeness indicates the degree of participation of the entire population in the public economy, that is, the proportion of the total population which is employed. Therefore, this indicator is very largely dependent on change in the age-sex composition of the population.<sup>2</sup> Thus, change in the size of the population due to an increase or decrease in the birth rate or to an increase in the number of elderly persons can lead to a change in the indicator of economic activeness given the exact same number of people employed, the exact same number of labor resources, although the actual level of employment in terms of level of satisfaction of people's need for jobs remains precisely the same as before.

The indicator of economic activeness can also fluctuate in connection with change in the sex composition of the population. It is known that the proportion of men in the total population is lower than the proportion of women and that the proportion of men in the population of working age is significantly higher than that of women. The indicator of economic activeness of the female population is correspondingly lower than for men; the picture is reversed if the indicator of labor activeness is compared. The possibility that these indicators could move in different directions also testifies to their different economic content: that movement can be completely dissimilar for the age-sex composition of the entire population and for the population of working age.

Analysis of the dynamics of the indicator of labor activeness, and retrospective analysis first of all, can be of substantial benefit in understanding the current labor resources situation, its prospects and, consequently, the development of needed practical recommendations.

During 1959-1975, the indicator of labor activeness grew by 25.2 percent. In evaluating the trend of its development, it must be noted that the greatest increment occurred in 1959-1966, and that in subsequent years the rate of increment tended to decrease (see Table 1, page following). During 1959-1966, the indicator of labor activeness increased by 2.6 percent per year on average, but during 1967-1975, it

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1. See: "Kurs demografii" [Demographic Policy], edited by A. Ya. Boyarskiy, Moscow, 1974, pp 43, 168; A. A. Tkachenko, "Ekonomicheskiye posledstviya sovremennykh demograficheskikh protsessov v SSSR" [Economic Consequences of Current USSR Demographic Processes], Moscow, 1978, p 50.

2. As A. A. Tkachenko correctly points out, "This indicator reflects not only employment, but also and at the same time the boundaries of the able-bodied population...[so] its use in analyzing employment of a population with a strongly differing age structure is statistically incorrect" (Op. cit., p 50).

Table 1. Labor Activeness Indicators for the USSR Population in 1959-1975, in percent\*

	1959	1966	1970	1974	1975
total population					
labor activeness	65.8	78.6	82.1	82.5	82.4
in percent of 1959		119.5	124.8	125.4	125.2
average annual rate of increment		2.60	1.10	0.12	-0.12
men					
labor activeness	73.1	82.8	83.0	82.4	...
in percent of 1959		113.3	113.5	112.7	...
average annual rate of increment		1.60	0.05	-0.7	...
women					
labor activeness	59.5	74.8	81.3	82.6	...
in percent of 1959		125.7	136.6	138.8	...
average annual rate of increment		3.30	0.90	0.40	...

\* Calculated on the basis of: "Itogi Vsesoyuznoy perepisi naseleniya 1959 g." [Results of the 1959 All-Union Census], Moscow, 1962, p 19; "Itogi Vsesoyuznoy perepisi naseleniya 1970 g." [Results of the 1970 All-Union Census], Moscow, 1975, Vol II, p 13; "Narodnoye khozyaystvo SSSR v 1959 g." [USSR National Economy in 1959], Moscow, 1960, p 585; "Narodnoye khozyaystvo SSSR v 1973 g." [USSR National Economy in 1973], Moscow, 1974, p 8; "Narodnoye khozyaystvo SSSR v 1974 g." [USSR National Economy in 1974], Moscow, 1975, pp 548, 833; "Narodnoye khozyaystvo SSSR za 60 let" [Sixty Years of the USSR National Economy], Moscow, 1978, pp 376, 469; "Trud v SSSR" [Labor in the USSR], Moscow, 1968, p 73; "Sel'skoye khozyaystvo SSSR" [USSR Agriculture], Moscow, 1972, p 448; "Zhenshchiny v SSSR" [Women in the USSR], Moscow, 1975, p 39; VESTNIK STATISTIKI, No 1, 1977, p 87; "Osnovnyye problemy ratsional'nogo ispol'zovaniya trudovykh resursov SSSR" [Basic Problems of the Intelligent Use of USSR Labor Resources], Moscow, 1965, p 57.

increased by only 0.45 percent. In this regard, the indicator of labor activeness decreased in 1975 as compared with 1974, even in absolute terms.

The reasons for changes in labor activeness indicators result from many circumstances whose effects are closely related and which are mutually determinant. One such reason is change in the rates of increment in the size of the population and the population of working age which emerge as a natural base for change in the size of the employed population.<sup>1</sup>

An analysis of actual data (see Table 2, page following) shows that the rates of increment in the size of the population and the population of working age as a consequence of change in the birth rate and death rate during the period of time under examination do not coincide. During 1959-1975, the average annual rates of increment in the size of the population decreased, but the population of working age increased; true, the rates of increment in the size of the population of working age tended to decrease in 1975 and the rates of increment in the size of the population tended to

1. We include here among the employed population workers, employees and kolkhoz members. This approach to determining full employment does not reject the fact that for certain research purposes, those employed in the public economy must also include those being trained in general educational schools and other academic institutions.

increase. The average annual rates of [increment] in the size of the employed population decreased faster than the rates of decrease in the total population.

**Table 2.** Average Annual Rates of Increment in the Population, the Population of Working Age, the Employed Population, and the Relationship of the Rates of Increment in the Population, the Population of Working Age and the Employed Population\*

years	average annual rates of increment			percent increment in employed population accounted for by a one-percent increment in total population	percent increment in employed population accounted for by a one-percent increment in working-age population
	population	population of working age	employed population		
1959-1966	1.55	0.60	3.20	2.06	5.33
1966-1970	1.00	1.10	2.20	2.20	2.00
1970-1974	0.95	1.80	1.90	2.00	1.06
1974-1975	0.96	1.78	1.64	1.71	0.92

\* Calculated on the basis of: "Narodnoye khozyaystvo SSSR v 1973 g.," p 33; "Narodnoye khozyaystvo SSSR v 1974 g.," pp 33, 448, 549; "Narodnoye khozyaystvo SSSR v 1978 g." [USSR National Economy in 1978], Moscow, 1979, pp 287, 365; "Sel'skoye khozyaystvo SSSR," p 447; "Trud v SSSR," p 22; "Demograficheskiye problemy zanyatosti" [Demographic Problems of Employment], edited by P. P. Litvyakov, Moscow, 1969, p 42.

It is evident from Table 2 that there is no strict accord between the rates of increment in the population, population of working age and employed population. This is to be explained by the fact that the USSR national economy possessed certain labor reserves during the period under review; those employed in housekeeping and private subsidiary farming were one such reserve. Their active involvement in collectivized production also predetermined higher rates of increment in the employed population as compared with the rates of increment in the population of working age. Inasmuch as it was primarily women who were engaged in housekeeping and private subsidiary farming, workers and employees were reinforced in large measure through them. For example, in 1960-1965, the proportion of women in the increment in numbers of workers and employees was 60.9 percent, but in 1970-1975, that figure was already 55.8 percent, and in 1975-1977 -- 52.4 percent.<sup>1</sup> The indicator of labor activeness also rose primarily due to the increased activeness of the female population. During 1959-1974, it grew 38.8 percent for women and 12.7 percent for men.

This specific of growth in the indicator of labor activeness held until practical exhaustion of that reserve, that is, those employed in housekeeping and private subsidiary farming. Data from the 1970 All-Union Census showed that employment in housekeeping and private subsidiary farming had decreased substantially and that in many regions of the country, it could no longer be viewed as a source for increasing employment in collectivized production. This led to a situation in which the relationship of rates of increment in population of working age and employed population was basically restored. In 1970-1974, each one-percent increment in the population of

1. Calculated from: "Narodnoye khozyaystvo SSSR v 1977 g.," Moscow, 1978, pp 377, 382.

working age accounted for only 1.03 percent increment in employed population, including 1.28 percent increment for the female population and 0.93 percent increment for the male population. This process continued. In 1975, each one-percent increment in working-age population accounted for only 0.92 percent increment in employed population, as a consequence of which, there was an absolute reduction in the indicator of labor activeness. The data presented are convincing testimony to the fact that change in the indicator of labor activeness is determined not only by demographic factors, but also by a number of socioeconomic factors.

As our research showed, correlation-regression analysis demonstrated that the following factors have a substantial influence on change in the indicator of labor activeness of population in the RSFSR, for example: sex composition of the population of working age, age composition of the population, aging of the population, birth rate, population migration, urbanization, labor productivity in industry, real income, value of fixed assets, and start-up of fixed assets.

The movement of the indicator of labor activeness of the USSR population, it seems to us, provides sufficient grounds for judging its future development. We can state with a great deal of confidence that it will have to decrease in the years just ahead and will then apparently stabilize. The tendency of change in socioeconomic factors, which can predetermine change in the indicator of labor activeness, also speaks in favor of this assumption.

Thus, the indicator of labor activeness can become an effective tool for labor planning. However, under present conditions, it is calculated using only census data, which cannot be considered correct. Annual calculation of the indicator of labor activeness using current statistical reporting data and planning that indicator would enable us to take more fruitful steps to influence in practice the development of employment, to help increase the effectiveness with which society's labor resources are used.

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## LABOR

### REGIONAL PROBLEMS IN CONTROLLING PRODUCTION

Moscow EKONOMICHESKIYE NAUKI in Russian No 2, Feb 81 pp 88-91

[Article by Professor G. Zhil'tsov, doctor of economic sciences, Khabarovsk]

[Text] Improve the organizational structure of management. Implement measures to secure...the proper combination of branch and territorial management. (From the CPSU Central Committee Draft "Basic Directions for the Development of the National Economy of the USSR in 1981-1985 and for the Period up to 1990" for the 26th Party Congress).

Our economy is a unified national economic complex that encompasses all elements of social reproduction, the branch and territorial structure of the national economy, and that develops on the basis of a single state plan.

When the national economy is managed from a single economic center, it becomes increasingly important to combine branch and territorial planning in the solution of large-scale interbranch and territorial problems and in effecting qualitative change in the organizational structure of the national economic complex.

The economic mechanism that is developing in line with the 12 July 1979 decree of the CPSU Central Committee and the USSR Council of Ministers necessitates improvement of plan indicators, forms and methods of planning and evaluating the performance of production collectives of associations (enterprises) and the further improvement of the structure of planning and management organs, and the re-definition of their functions at various levels of the national economy. The CPSU Central Committee draft "Basic Directions for the Development of the National Economy of the USSR in 1981-1985 and for the Period up to 1990" for the 26th Party Congress call for "the better organization of the planning, structure, forms and methods of work of planning agencies."<sup>1</sup> This task holds great importance for the greater harmony of territorial and branch planning.

The draft "Basic Directions..." note the need "to increase the effectiveness of territorial planning and its role in regional development."<sup>2</sup> The realization of this objective holds paramount importance for integrated regional development, for the more complete utilization of their material and labor resources, and for increasing the effectiveness of production. In proper combination with branch and territorial planning, all this will promote progress in production in all branches of our economy.

Territorial production complexes (TPCs) are becoming a more and more effective form of territorial organization of production. This form is characterized by a number of patterns: the high level of concentration of production and capital investments; the existence of closely interacting enterprises and associations in various branches of the national economy; and the development of a unified production and social infrastructure. Proceeding from the existence of the given general patterns in the functioning of any TPC, it is necessary to use forms and methods of planning that are common to all TPCs and indicators of the formation of economic and social development. At the same time, the formation and development of individual territorial production complexes have their own specific features that are associated above all with natural, geographical and historical particulars of individual economic regions. The problems that accompany the formation and development of TPCs vary greatly from one economic region to another. Nor could it be otherwise in view of the varying level of availability of labor, raw materials and energy resources which influences the various forms (capital-intensive, energy-intensive, capital-saving, labor-saving) of expanded reproduction and hence the structure of capital investment as well. These are the specific features that dictate the need to resolve regional economic problems.

In accordance with the 12 July 1979 decree of the CPSU Central Committee and USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Effectiveness and Work Quality," programs for forming and developing TPCs should be made integral components of state plans for economic and social development. Thus, targets of developing the territorial production complex of the Kurak Magnetic Anomaly, the Kan-Achinsk coal basin, the Timan-Pechorskiy, Sayanskiy, Pavlodar-Ekibastuzskiy, South Tajik, Northwest Siberian [basins], etc., were already specified in the 10th 5-Year Plan. The CPSU Central Committee draft for the 26th party congress makes provision for the further development of the largest TPC in Northwestern Siberia, for continuing the formation of the Kan-Achinskiy and Southern Yakut TPCs, and calls for the further development of the Pavlodar-Ekibastuzskiy and Southern Tajik TPCs. The realization of these objectives requires thorough scientific, theoretical and methodological preparation.<sup>3</sup>

The Central Economic Scientific Research Institute under USSR Gosplan has prepared recommendations on improving the planning of newly formed TPCs (basic principles). The recommendations are divided into 5 sections reflecting development targets: specialized and directly associated production facilities; production and social infrastructure; construction base; resource supply; and capital construction.<sup>4</sup> In our view, the long-range plan sections in the recommendations and the corresponding indicators meet the demands completely. However, they are only concerned with planning and plan indicators for newly formed complexes. This is partially justified by the fact that TPCs are primarily created in the stage of planned formation. At the same time, it is necessary to raise the question not only of the formation plan, but especially of the comprehensive plan for the economic and social development of TPCs. This does not by any means refer to formal corrections. The point is that any plan must be oriented toward final objectives. The choice of the region and the formation of the interbranch structure of the production complex within the region is only one aspect of the single process of securing the formation and the economic and social development of TPCs.

An important role in the preparation and implementation of these plans belongs to central and planning organs -- USSR Gosplan, the USSR Council of Ministers, councils of ministers of union republics, ministries and departments. Success hinges on the maximum coordination of both principles of democratic centralism, on the combination of centralized, branch and territorial planning, and on a close linkage between departmental problems and the interests of the economic and social development of a specific TPC or economic region. While in the initial stage of formation of the TPC (when it is most important to resolve the problem of resource supply for capital construction), the major part must be played by the nation's central planning organs, lower level territorial administrative agencies play an increasingly important part with the development and functioning of complexes. Branch plans (by virtue of objective factors) cannot fully reflect the comprehensive development of the natural resources of a given region, the reproduction and effective utilization of labor resources, the creation of the optimal level and structure of the nonproductive infrastructure, the unified transport system, and the industrial base of construction.<sup>5</sup>

Considering the growing role of science and education in the nation's economy, the production infrastructure development section of the plan for the economic and social development of territorial production complexes should specify indicators of development of the science and science services sphere, targets for the implementation of scientific and technical programs, targets for the development and introduction of new machines and mechanisms, progressive production processes, and products at old and newly built enterprises. The resource supply section must specify indicators reflecting the total requirement for specialists with higher and secondary specialized education with due regard to the prospective development of material production and the nonproductive sphere. It must also indicate the need to indicate sources for satisfying the given need through graduates from educational institutions in a given region and the organized, planned assignment of young specialists graduating from educational institutions in these regions.

While this is a common problem, it acquires special urgency in newly developed regions. The CPSU Central Committee draft "Basic Directions for the Economic and Social Development of the USSR in 1981-1985 and in the Period up to 1990" recognize the need to continue the effort to improve manpower supply particularly in Siberia and the Far East.<sup>6</sup>

In the economic and social development of TPCs, an increasingly important structural role is played by the scientific and technical potential (the so-called territorial scientific and technical complex) which resolves large-scale comprehensive interbranch territorial problems with regard to social requirements and the specifics of development of the productive forces of a given region. The creation and development of the territorial scientific-technical complex hold particular importance for the further development of Siberia and the Far East.

The solution of special interbranch, regional programs is closely related to the level of scientific-technical potential of regions in which these programs will be carried out. As we know, the scientific-technical potential of Siberia and the Far East has grown both quantitatively and qualitatively. At the same time, growth rates and present levels cannot satisfy fully the growing R & D requirement of these regions' economies for highly qualified specialists. The present scientific-technical potential in regions of new development reproduces to a significant degree the shortcomings of historically developed organizational structures of scientific-technical potential. This is first and foremost manifested in a certain lack of coordination of scientific-technical effort and

and resources inter alia in manpower training and retraining. Suffice it to say that in the Far East and indeed any other economic or administrative region, scientific organizations, planning organizations and higher and secondary specialized education institutions are subordinate to dozens of different ministries and departments.

Another serious problem is that the forms and methods of planning and coordinating scientific-technical work on the scale of an economic region and TPC are frequently formal and do not ensure a sufficiently integrated approach to the investigation of individual interbranch territorial problems. This also applies in large measure to the training of specialists in higher and secondary specialized education institutions. To the detriment of the interests of society, each department frequently develops its "own" scientific and technical structural subdivisions, opens additional specialized education institutions, faculties or specialist training and retraining courses without considering the existing potential of existing scientific institutions and subdivisions, educational institutions, and the plant sector of science in a given region in the charge of other ministries and departments.

As already noted, within the framework of individual economic regions and TPCs, there are broad complexes of general scientific-technical, organizational-economic and social problems and problems that are specific to a given region or TPC. Thus, in view of the natural, climatic, geographical, and certain other conditions in the comprehensive and accelerated development of the national economy of Siberia and the Far East, the reproduction and retention of labor power in these regions acquire exceptional importance. Regional problems concerning investment policy, the effectiveness of production, and the substantiation of the specialization of production with regard to the development of intraregional interfarm cooperation and at the level of the unified national economic complex and international economic relations are also urgent. The integrated approach to the further development of the natural resources of Siberia and the Far East (by virtue of the specifics of these regions) necessitates the development and implementation of a specialized regional scientific-technical policy.

The realization of these and other important objectives requires the concerted effort of all structural elements of scientific-technical potential and the establishment of rational long-range relations between them. Accordingly, the territorial scientific-technical potential (complex) and its organizational-economic structure must integrate scientific research, educational and technical processes with production in a TPC or economic region. The maximum degree of integration is possible when the TPC and its structural components (including scientific-technical potential) are managed by a unified territorial inter-departmental agency vested with the appropriate powers.

Territorial administrative organs together with central planning organs, ministries and agencies must objectively substantiate plan indicators of economic and social development of associations (enterprises), scientific-design organizations, and higher education institutions belonging to the TPC or economic region and monitor their fulfillment.



One might ask whether regional forms and methods of production management will not lead to the development (or amplification) of localistic tendencies. Practice shows that these tendencies develop not so much from the existence of various regional administrative organs as from the system of plan indicators and criteria used in the evaluation of the work of collectives of associations (enterprises), economic systems and regions. The orientation of production toward final national economic results, toward the satisfaction of various specific social needs significantly reduces the danger of localism and parochialism.

The most important functions of the interdepartmental territorial administrative functions in the effort to increase the effectiveness of the utilization of scientific and technical potential include the planning and coordination of scientific activity in the most important directions of development of science and technology within the framework of certain long-range integrated problems and programs; the development of the material and technical foundation of S & T organizations and specialized education institutions and the determination of ways of increasing the effectiveness of its utilization; the training and retraining of manpower for all levels and branches of the national economy; the acceleration of the utilization of scientific advances in production; the implementation of measures to secure the rational utilization of natural resources and the protection of the environment.

The problem of further improving territorial planning (owing to the complexity and multiple aspects of the problem) unquestionably requires careful, comprehensive elaboration and in a number of instances the experimental checking of proposed variants. It is unquestionably true that the improvement of the relationship between the branch and territorial sections of the plan objectively necessitates -- in addition to the raising of the responsibility and the strengthening of plan discipline -- the strengthening of territorial planning agencies and the broadening of their functions. With regard to a number of key problems of an interdepartmental regional character which are resolved within the framework of economic regions and TPCs, we must expand the functions and authority of head [golovnyye] councils, problem councils, councils devoted to various branches of scientific and technical knowledge, and councils of directors. In the 11th 5-Year Plan, we will have to deal with many other economic questions and find timely approaches to the improvement of planning work. The further investigation of regional problems (in close relationship with practice) of organization of socialist production will play no small part in this area.

#### FOOTNOTES

1. "CPSU Central Committee Draft for the 26th Party Congress. Guidelines for the Economic and Social Development of the USSR for 1981-1985 and for the Period up to 1990" [Proyekt TsK KPSS k XXVI s"yezdu partii. Osnovnyye napravleniya ekonomicheskogo i sotsial'nogo razvitiya SSSR na 1981-1985 godu i na period do 1990 goda]. Moscow, p 87.
2. Ibid.
3. Ibid.

4. See: PLANOVOYE KHOZYAYSTVO, No 9, 1979, p 89.

5. A. Aganbegyan, "Territory and Branches," PRAVDA, 7 December 1979.

6. See: "CPSU Central Committee Draft...", p 17.

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## LABOR

### LABOR RESOURCES UTILIZATION DISCUSSED

Tbilisi KOMUNISTI in Georgian 17 Feb 81 p 2

[Article under rubric "Figures of Growth": "To Get Involved in Social Labor"]

[Text] In the CPSU CC's draft for the 26th party congress one of the biggest economic and social tasks is stated to be that of improving the deployment of productive forces in order to make rational use of them. As was noted at the 26th GCP Congress, one of the main social goals in the 11th Five-Year Plan will be to further increase the level of employment of labor resources in the republic. An additional 190,000 persons will be employed in the social economy on the basis of implementation of the program of development of the material production sectors and the service sphere in 1981-1985, and the employment level will reach 88 percent by 1985.

This will be of great importance. The fact is that in terms of the population's employment level Georgia lags considerably behind the all-union average. This is due to the slow pace of the republic's industrial development over a number of years, especially during the 1950s and the 1960s.

In the Eighth and Ninth five-year plans, industrial production almost doubled in volume, while the level of employment rose from 83 to 86 percent. Because of failure in the past to take account of demographic, social-economic, labor resource formation, and other factors, a disproportion developed between the geographical deployment of industrial enterprises and the availability of labor resources. As a result, in some regions with a relatively high natural population increase employment is low. On the other hand, in Tbilisi, Kutaisi, Rustavi, and certain other cities where more than half of the republic's total industrial output is concentrated, the employment level stands at 92 percent and there is, in fact, a definite shortage of qualified manpower.

During the 9th and 10th five-year plans, dozens of branches of major industrial enterprises were set up in the labor-surplus rayons in order to raise the level of employment there. This is helping to make fuller use of labor resources and to effect structural changes in the countryside.

The 11th Five-Year Plan for the republic's economic and social development calls for dozens of large, medium, and small industrial enterprises to be built, expanded, and remodeled. The new projects are planned primarily for the medium and small cities and urban-type towns which account for more than two-thirds of the total increase in the number of workers, employees, and specialists.

It was also noted at the 26th GCP Congress that nationwide there is a steady increase in the percentage of women employed in all sectors of the national economy, including the sphere of management. In our republic, however, we have yet to take advantage of all possibilities for making extensive use of women's labor.

A total of 54 vital industrial, agricultural, production, and service infrastructure projects will be built in the mountain, piedmont, and southern rayons.

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## LABOR

### NEW INCENTIVE REGULATIONS FOR SOVKHOZ WORKERS DISCUSSED

Tbilisi KOMUNISTI in Georgian 17 Feb 81 p 2

[Gruzinform article by GSSR Deputy Agriculture Minister R. Kakulia: "Pay For Work. Broadly Adopt the New Procedure and Conditions of Economic Incentive for Sovkhoz Workers"]

[Text] At the present stage of development of our country's agriculture, special importance attaches to further perfecting and improvement of agricultural production planning and economic incentive. An important role in this matter was played by the March 1965 CPSU CC Plenum's historic decisions.

Recently the CPSU CC and the USSR Council of Ministers adopted the decree "Improving the Planning and Economic Incentive for the Production and Procurement of Agricultural Products."

By adopting this decree, the CPSU CC and the USSR Council of Ministers fundamentally changed the existing procedure of paying for labor in state agricultural enterprises.

Starting in 1981, a fundamentally new procedure has been introduced regarding bonuses for officials and specialists of sovkhozes and other state agricultural enterprises. Starting this year, bonuses for these workers will be paid as follows:

--up to 2 percent of the yearly pay as per position salary for each percentage point of increase in sales (production) volume of agricultural product over the average annual level of the previous 5-year plan;

--up to 2 percent of the yearly pay as per position salary for each percentage point of increase in profit over the average annual level in the preceding 5-year plan;

--for making a profit;

--for reducing the loss on losing and unprofitable farms, up to 5 percent of the amount of loss reduction compared with the average annual loss in the past 5 years, provided that the production of agricultural goods is increased over the same period.

Under the new provisions, bonuses are paid not for making a profit in general, as under the present regulations, but rather for an increase in profit over the average annual level of the previous five years and partially for the size of the profit.

Moreover, the new bonus procedures broaden the agricultural organs' rights in matters of wages and salaries.

The USSR Agriculture Ministry and Food Industry Ministry, to which the sovkhozes are subordinate, are given the right to authorize the corresponding ministries and departments of the union republics to award bonuses in individual cases (within the limits of the wage fund stipulated for them and with the consent of the appropriate trade union committee) to those managers and specialists of sovkhozes and other state agricultural enterprises who achieve high indicators in farm crop yields, livestock productivity, and labor productivity in the amount of approximately two months' position salary for maintaining the average annual level of agricultural product sales (production) achieved in the preceding five years.

It is also worth noting that managerial and specialist personnel are to be awarded bonuses for increasing the volume of agricultural product sales (production), provided that they fulfill stipulated plans of grain and meat production in physical terms.

The new bonus procedures also stipulate that the principle of material responsibility is to be applied in parallel with material incentive.

If sovkhoz coarse and succulent feed production plans are not fully met (in feed units), also the plan of sales of the basic types of farm goods to the state (in physical terms), the amount of bonuses allocated to the director, deputy directors, chief specialists, and chief accountants for making a profit and for increased profit is to be reduced by decision of higher organs, or in the case of other personnel by order of the director, but not more than 50 percent.

It is also worth noting that the new bonus procedures help to encourage the transition to operations according to sovkhoz production sectors. Farm specialists can be awarded bonuses in accordance with the performance of the particular sections and production sectors in which they are involved.

Under the previous rules, it was frequently the case that farm managers and specialists received five or six position salaries for making a profit without having fulfilled the production and sales plans. Frequently, profit and production output increase plans were unmet. The new procedures do away with these shortcomings. Bonuses to be awarded sovkhoz managers and specialists for making a profit cannot exceed two months' position salary in a year. For purposes of strengthening managers' and specialists' material motivation to boost production output, moreover, the councils of ministers of the union republics have been authorized to raise by 10 to 15 percent the position salaries of managers and specialists of those enterprises in which the volume of agricultural output exceeds by 50 percent or more the volume of product sales stipulated for enterprises of Group 1 in terms of managerial and specialist pay.

The new bonus rules also introduce important changes in the conditions of sovkhoz workers' pay. Under the regulations in force up to now, workers engaged in crop farming were paid by the job contract plus bonus and the piecework plus bonus system. Practice has shown that the job contract plus bonus system ensures a close link between the team, crew, or collective and the end results. For this reason, the system is to be retained.

The new bonus regulations introduce the titles "Crop Farming Expert First Class" and "Crop Farming Expert Second Class." Workers who are given these titles are to get a 20 percent increase in the first case and a 10 percent increase in the second case. The introduction of these titles of honor will undoubtedly serve to increase production volume and labor productivity. Clear proof of this is seen in the positive results that have been achieved by introducing similar titles for workers and machinery and tractor operators in livestock farming.

Under the new bonus provisions, important incentive measures will be implemented for machinery and tractor operators engaged in feed production. The same procedures and conditions applying to workers engaged in harvesting grain and legume crops, grain corn and silage, sunflower seeds, potatoes and grass seed will also apply to them.

In order to more strongly motivate the labor collectives of agricultural enterprises and associations to accelerate the growth of labor productivity and also reduce cadre turnover, authorization has been given to give, out of wage fund savings, wage categories and salaries above the stipulated wage normative or plan, as follows:

--up to 50 percent of the category (salary) to workers combining jobs and completing the stipulated volume of work with fewer personnel;

--4.8 and 12 percent of the salary rate of the graduated schedule for continuous service, within the limits of the difference between rates, to skilled repair shop workers engaged in critical jobs, for professional mastery;

--up to 30 percent of the category (salary) to engineering-technical personnel and employees for high qualifications, and up to 50 percent to crop and livestock farm crew leaders who are agriculture specialists, within the limit of 1 percent of the enterprise's (association's) wage fund.

After the new system of pay is introduced, the job contract plus bonus system will have an even greater effect. The essence of it is that the greater a team's or crew's crop yield or livestock productivity the higher the bonus assessment will be.

Under the new pay and bonus system, the piecework plus bonus system will also be retained, although in greatly altered form. In applying the system now, workers' pay depends only on the amount of work completed.

The procedure for creating the material incentive fund has undergone significant changes. Now the material incentive fund's share in the bonus structure will be 60 percent.

Under the old procedure, the size of an enterprise's material incentive fund did not depend on the volume of production output. The new procedure links them organically. From 1981 this fund will be created in accordance with increased production output and profit making (loss reduction) as per stable normatives.

On economically weak farms, the material incentive fund will be created as follows:

--up to 0.3 percent of the amount of the planned annual wage fund will be entered for each percent of increase in total production volume above the average annual level achieved in the previous 5 years;

--for reducing the amount of loss compared with the average annual level of the previous 5 years, 15 percent of the total loss reduction will be figured, and in the event of a profit, an amount in accordance with the stipulated normative for profit making will also be figured.

Under such procedures, losing and low-profitability farms will be much more motivated to increase production volume. Another important factor is that total deposits into the material incentive fund are determined for the normative year and must not exceed 12 percent of the enterprise's planned annual wage fund.

The new pay and bonus procedures for managers, specialists and workers of sovkhozes and other state agricultural enterprises also ought to be used on the kolkhozes. To do this, the kolkhozes will have to introduce appropriate changes in the present pay recommendations and put them into practice in accordance with specific conditions.

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